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World Gun Ring Reported Found With Arrest of 2

P.L.O. Is Cited as a Buyer of Multimillion in Arms

By CHARLES KAISER

Two men accused in Manhattan last week of selling 10,000 machine guns to two New York City undercover detectives are part of a large international gun-running organization that sells at least \$10 million in arms each year, according to investigators in New York, Washington and Britain.

Documents seized in simultaneous raids by New Scotland Yard, the Federal Bureau of Investigation and the Manhattan District Attorney's office indicated that the group had access to, in the words of one investigator, "all kinds of weapons," including radar-controlled anti-aircraft missiles, powerful explosives, poisons and remotely controlled bombs.

The sources of the weapons were said to range from British and American factories to terrorist movements that had exhausted their needs for some weapons and wanted to sell them for cash.

P.L.O. Listed as Customer

Documents seized by investigators identified customers of the organization as former President Idi Amin of Uganda, the Palestinian Liberation Organization and the Libyan Government.

Frank Edward Terpil, a former agent of the Central Intelligence Agency, was one of the men arrested recently in New York. According to William H. French, president of Adco Airlines, a European-based freight line, Mr. Terpil was part of an effort to persuade United States officials to permit the export of eight C-130 airplanes that were purchased by the Libyans eight years ago. The cargo planes have not been delivered because of Libyan support for terrorist causes.

Mr. Terpil and the second suspect seized in New York, George Gregory Korkala, also told the undercover detectives that they employed 11 men, including former officers of the United States Special Forces, who would travel "anywhere" to train terrorists.

The detectives from the Manhattan District Attorney's office, who pretended they were Latin American revolutionaries from an unspecified Caribbean country, taped hundreds of hours of conversations with the two men with concealed recorders. The undercover officers arrested Mr. Terpil and Mr. Korkala after traveling with them to England.

Leader of Ring at Large

Investigators interviewed in Washington and Britain said that the leader of the group was still at large and that he was the target of a Federal grand jury in Washington that is looking into illegal arms sales. A Federal prosecutor described Mr. Terpil as a "lieutenant" in the group and Mr. Korkala as a soldier.

The organization maintained at least two "safe houses" in England, where its confederates regularly sought refuge until both places were raided 10 days ago by Scotland Yard, investigators said. Both of the men arrested here were reported to have bragged in the taped conversations of their access to fraudulent American passports, which they said they had provided to fugitives from justice.

Many of the group's activities are assertedly centered in Britain because the laws regulating arms sales are much more lenient there than in the United States. Gustave Newman, a lawyer for Mr. Korkala, conceded that his client was planning to sell the 10,000 machine guns for more than \$2 million, but he contended the transaction would have been legal because it was supposed to have taken place in England.

Like Mr. Newman, James LaRossa, the lawyer for Mr. Terpil, contended that all of his client's activities were "legitimate" and "licensed." Matthew Crosson, an assistant Manhattan district attorney who is prosecuting the case here, responded in court that "no one is licensed to sell arms to Latin American revolutionaries."

Ball Denied to Two

Mr. Newman and Mr. LaRossa tried unsuccessfully to persuade acting Justice Joan B. Carey of State Supreme Court in Manhattan last week to free both defendants on bail. They remain at separate jails in Brooklyn and the Bronx pending arraignment on an indictment filed last Thursday. It accuses them of illegal weapons possession. The charges carry a maximum penalty of 25 years in prison.

A Scotland Yard investigator said the group had extensive contacts among high-ranking American and British military officials. British authorities were said to be particularly concerned about the group's access to "end user certificates," the official documents necessary for the legal export of arms from Britain or the United States.

Mr. Terpil and Mr. Korkala promised to provide an end-user certificate for the export of the 10,000 machine guns from England, with their final destination listed as the Philippines, according to Mr. Crosson. The prosecutor contended that the alleged conspirators knew that destination to be false.

Mr. Terpil, 40 years old, is married, with three children, and lives in McLean, Va. Mr. LaRossa said Mr. Terpil was an employee of Oceanic International at 2020 Connecticut Avenue N.W. in Washington.

Army in 1965 and then joined the Central Intelligence Agency. According to Robert M. Morgenthau, the Manhattan District Attorney, Mr. Terpil was dismissed from the agency in 1971.

'Safe Houses' Reported

A Scotland Yard investigative report says Mr. Terpil purchased the Hunters Lodge Hotel in Crewe, England, as a "safe house" for slightly more than \$300,000 in 1978. The group's other safe house was said to be a news house in the Bayswater section of London; it was raided by plainclothes detectives on Christmas Eve.

The Scotland Yard investigative report speculates that the Hunters Lodge Hotel — described by another British police officer as "sort of a country club" — was either operated by "an international crime syndicate" or "more probably" was part of a clandestine C.I.A. network in England.

Officials of the C.I.A. have insisted to both Scotland Yard and the Federal Bureau of Investigation that Mr. Terpil was no longer employed by them. The agency has declined public comment about the case.

Mr. French, the European freight airline president, who was interviewed by The Times in Athens last week, said that Mr. Terpil was formerly employed by his company.

Mysterious Disappearance Recounted

In February 1978, Mr. French said, Mr. Terpil offered him the use of a room at his office in Washington, and then "disappeared" eight months later, leaving Mr. French to pay the rent on the office.

"Even his wife didn't know where he went," said Mr. French, who remembered Mrs. Terpil badgering him about her husband's whereabouts.

The airline president said Mr. Terpil "persistently asked" him to participate in a "lobbying effort" to persuade Washington officials to permit the export of the eight C-130 airplanes purchased by the Libyans but never delivered to them. Mr. French said he refused to get involved in this effort.

Carol Bruce, an assistant United States Attorney in Washington, who is conducting the grand jury investigation of the gun-running organization, said she was "aware of the effort to get the C-130's out of Georgia," but she refused further comment on the case.

Other Federal investigators said the Libyan Government had made known its willingness to pay anyone who could get the highly versatile transports out of the country a commission of at least \$1 million for each airplane.

Mr. Terpil was said to have boasted in taped conversations of training terrorists in Libya, including Carlos Ramirez, the Venezuelan-born terrorist who some intelligence agencies believe was responsible for the massacre of Israeli athletes at the Munich Olympics. Other analysts believe at least four terrorists use the name "Carlos," and they say that is why he has never been apprehended.